

VZCZCXRO5849
PP RUEHROV
DE RUEHKH #0544 0951128
ZNR UUUUU ZZH
P 051128Z APR 07
FM AMEMBASSY KHARTOUM
TO RUEHC/SECSTATE WASHDC PRIORITY 6749
INFO RUCNIAD/IGAD COLLECTIVE

UNCLAS KHARTOUM 000544

SIPDIS

SENSITIVE
SIPDIS

DEPARTMENT FOR AF/SPG
PLEASE PASS TO USAID FOR AFR

E.O. 12958: N/A

TAGS: [EAID](#) [ECON](#) [EPET](#) [PGOV](#) [PREL](#) [SU](#)

SUBJECT: SUDAN: AN ECONOMIST SHARES HIS PESSIMISTIC OUTLOOK

REF: A) KHARTOUM 0194 B) KHARTOUM 0211 C) KHARTOUM 0248

¶1. (SBU) The economic advisor to the Khartoum stock exchange expressed pessimism on the outlook for the Sudanese economy for the near term. He predicts "turmoil" because of the pressures on the budget. He described how the ruling NCP is skimming off money in preparation for elections, and alleged that some government officials are moving money and family out of the country. End Summary.

Government Deficit a Growing Problem

¶2. (SBU) On April 3, Econoff met with the Economic Advisor to the Khartoum Stock Exchange, Professor Ali Abdullah Ali to discuss the general economic outlook. Dr. Ali, who is a supporter of the opposition DUP was critical of the governments current economic policies. Dr. Ali opened by noting that economists are often pessimistic, but he is especially so at the moment. He complained that the government is running up a growing deficit and attributed this to 'unmanageable expenditures,' much of it related to funding the security forces. He said that the government had tried to borrow USD2 billion from China to help cover the deficit, but the Chinese had only offered a loan tied to the purchase of Chinese goods. Ali said that the Governor of the Central Bank and the President of Petrodar (a major petroleum operator) are currently in Malaysia seeking a loan.

¶3. (SBU) Elaborating on the options available to the government, Ali said that without overseas loans, the government can borrow locally, (at rates of around 20 percent) or raise taxes. Increasing taxes on sugar and bread, or cutting the subsidy on gasoline, diesel or cooking oil would lead to discontent. He predicted that this could lead to "turmoil." The ruling National Congress Party (NCP) is preparing for elections, in part by skimming government salaries. Ali alleged that one member of the NCP, the President of the telecommunications company Sudatel, receives a nominal salary of USD50,000 per month, USD40,000 of which is then transferred to the NCP, possibly to be used in the upcoming elections.

Economic Benefits are Not Being Shared

¶4. (SBU) Professor Ali said that while the economy is growing rapidly, the benefits of growth are inequitably distributed. Members of the NCP and their families have received a disproportionate advantage and their visible wealth is apparent to the larger community and is a source of frustration. Ali claimed that some members of the elite are getting nervous and cited the case of the governor of Khartoum State, who Ali said has now moved his family to Malaysia.

15. (SBU) Turning to Darfur, Ali said that a solution is urgently needed to allow the economy to stabilize. The government wants a solution, yet at the same time, the government resists foreign pressure to bring the crisis to a close. Ali attributed this to Sudanese stubbornness and a suspicion of foreign influence by the NCP leadership.
HUME